



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, March 21, 2017

**Kiva Forum - City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251
APPROVED MINUTES**

- PRESENT:** David Scholefield, Chairperson
Ren Hirose, Vice-Chairperson
Frank Ashmore
Linda Dillenbeck
Camille Hill
Robert McCreary
- ABSENT:** Carl Grupp
- STAFF:** Steve Geiogamah
Karen Churchard
Brent Stockwell
Holli Shannon
Teresa Hougland
Sharon Cini
- GUESTS:** Rachel Pearson, Experience Scottsdale
Rachel Sacco, Experience Scottsdale
Donna Isaac, Scottsdale Public Art
Betty Janik
Glen Spencer

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairperson Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:02 a.m. He welcomed Commissioner Hill back for a second term.

Chairperson Scholefield addressed recent articles that suggested the TDC and its mission to support events outside Scottsdale was inappropriate. He clarified that the criteria that are in place presently do not preclude the City of Scottsdale from supporting events outside city boundaries. Scottsdale does support regional mega events.

Mr. Geiogamah added that three of the four funding programs have criteria that require events to be held all or in part in Scottsdale, but the New Event Development Fund does not.

Chairperson Scholefield addressed the Thunderbird Field II Veterans Memorial project. He said the Commission was clear in its 4-3 decision not to recommend support, but the City Council chose to support it. He said the TDC's split decision was perceived by some to be due to confusion on the part of the Commissioners, but he clarified that the decision should instead be seen as indicative of a great debate that ended in a non-unanimous result. The Commission clearly understood what the project was, but a slight majority felt it was not a tourism-related project.

2. Approval of Minutes

Chairperson Scholefield requested a clarifying change to the January 17, 2017 minutes.

VICE CHAIRPERSON HIROSE MOVED TO APPROVE THE JANUARY 17, 2017 MINUTES AS AMENDED. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

VICE CHAIRPERSON HIROSE MOVED TO APPROVE THE FEBRUARY 21, 2017 MINUTES AS PRESENTED. COMMISSIONER ASHMORE SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

3. Tourism Development Commission Annual Report

Steve Geiogamah, Tourism Development Manager, noted that the TDC reviewed this document in January and staff made the requested changes. Upon approval, the report will be forwarded to City Council.

Vice Chairperson Hirose suggested noting that City Council approved the Thunderbird Field II Veterans Memorial. Chairperson Scholefield concurred, saying the report should record Commission recommendations as well as subsequent City Council decisions.

VICE CHAIRPERSON HIROSE MOVED TO APPROVE THE ANNUAL REPORT AS AMENDED. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

4. TDC Work Study Follow-Up

Mr. Geiogamah said the work study discussion was very helpful to staff. The meeting objectives will be pursued during the upcoming fiscal year. Twelve criteria and objectives have been identified for the City Event Funding Program. Those will be brought before the TDC in April and May and presented to City Council in June for

approval. Staff will provide an update on the WestWorld Tourism Development Funding objective in April.

Commissioner Ashmore said the criteria for what the TDC can fund should be clearly outlined and defined to applicants in advance. Some of the presentations lack that information.

5. Tourism-Related Capital Project Evaluation

Mr. Geiogamah said staff has taken the comments from the work study session and prepared a set of criteria for evaluating tourism-related capital projects for the Commission to adopt. The criteria are not set and can be adjusted as needed.

Commissioner Ashmore recommended that this document be finalized at the same time the action from the work study session is finalized. Vice Chairperson Hirose suggested that funding levels be tied to the number of criteria that are met.

6. Experience Scottsdale Second Quarter Performance Measures Report

Rachel Sacco, Experience Scottsdale, presented the Second Quarter Performance Measures Report. This represents work through the first half of the fiscal year, from July through December. The first Scottsdale Golf Week was a tremendous success and provided an opportunity to bring in some avid golfers to expose them to the destination. A lot of great coverage was received in various magazines regarding golf in Scottsdale.

Ms. Sacco said Scottsdazzle highlights a time of year, from mid-November through early January, where Scottsdale has had trouble filling rooms. In the past five years, however, occupancy in the area has increased by 12% during this period.

Over 258 confirmed meetings have been booked, leading to about 86,000 room nights in the area. Site visits have been able to generate 433 articles that would have cost \$9 million in equivalent ad space. This allows travelers throughout the world to see Scottsdale through a trusted local media source. Staff is meeting with travel agents and tour operators who put Scottsdale in their tour offerings, and airline reservation agents are being trained to better sell Scottsdale.

Ms. Sacco reported that each metric is on track to meet the established goals in convention sales and services. Travel industry sales are on track in all metrics. Communications is on track to generate 100 travel articles about Scottsdale. Marketing is on track to engage the targeted number of visitors with the website.

7. Preliminary FY2017/2018 Destination Marketing Program Objectives

Mr. Geiogamah reported that the current Destination Marketing Agreement is set to expire at the end of this fiscal year. Staff is currently in negotiations regarding a new agreement, and the Destination Marketing Program will be included in that agreement. Financial Services is currently estimating that the total FY 2017/18 bed tax revenue will

be \$19.6 million, of which \$9.8 million will be moved over for marketing purposes towards the contract with Experience Scottsdale.

Vice Chairperson Hirose felt that there could be opportunities to expand the number of sales trips with additional funding.

8. Fiesta Bowl Game January 2017 Update

Ms. Sacco said the Fiesta Bowl contract matters to Scottsdale. When the game moved to Glendale starting in 2007, Scottsdale signed a 20-year contract that is still as valuable today as it was then. The game is played at a time of year when there is typically little group business. Scottsdale leads the entire county in occupancy, average daily rate, and revpar during this period each year because there is a base on which to build. It also brings much media exposure to Scottsdale.

Ms. Sacco said the Fiesta Bowl has been giving Scottsdale one of the teams that play in the Cactus Bowl, in addition to the two Fiesta Bowl teams. Scottsdale's investment last year was about \$310,000. The groups that stayed in Scottsdale provided about \$1.5 million during their visit. That does not include any induced expenditures or sales tax. This represents a five to one return on investment. An Ohio State pep rally at WestWorld gave the facility some great exposure and revenue.

Ms. Sacco concluded by saying the Fiesta Bowl has exceeded all metrics that have been set forth in the agreement. The game has concluded another three-year contract with their hotels in Scottsdale. There is a commitment for another three years.

Commissioner Ashmore said it brings in good revenue at a slow time (first week of January) in the calendar. Vice Chairperson Hirose asked about the next opportunity for a college playoff game. Ms. Sacco said the next semifinal game will come around in three years. If the community bids for a championship game, it will be done as a county or state organization. Based on feedback she has received, Arizona is a loved destination that has proven itself every time a mega event has been held here.

9. Canal Convergence Event Update

Donna Isaac, Scottsdale Public Art, provided a review of the Canal Convergence event that took place February 23 to 26. This was the fifth annual event. The list of international artists was unprecedented. Three artists showed in the United States for the first time. Attendance this year was 80,546 over four days, representing a 43% increase over last year. Attendance has steadily been growing each year. Over 33,000 people came on Saturday, breaking the single day record. Hours were reduced this year based on previous feedback. The budget was \$363,805. That includes artist contracts, marketing costs, photography, video production, and over hire staff. City Council awarded a \$100,000 matching grant that was successfully matched. Additional funding was received from Billie Jo and Judd Herberger. The National Endowment for the Arts provided a grant. Nationwide and the Arizona Commission on the Arts also provided support.

Ms. Isaac said that this year's event used a combination of marketing campaigns and strategies to push exposure beyond the Valley. A deeper local promotion was combined with a statewide campaign and national wire press release. Marketing reached as far as California, Nevada, Colorado, and Chicago. Over 100 million mentions and reposts were made of the press release and through Facebook. Los Angeles tracked the highest, while Chicago was close behind. There were also NPR radio ads, NPR email blast, a water bill stuffer, as well as Arizona Republic ads. The staff actively reposted on Facebook. Alaska Airlines magazine mentioned Canal Convergence in one issue.

Ms. Isaac stated that the surveys indicated that the Arizona Republic and social media were the key drivers for this year's visitorship. The event used paid social media for the first time. Video advertising consisted of videos made specifically for social media as well as custom content designed to reach new and younger audiences. Press coverage continued after the event. Over 39,000 people visited the event website page on the last day. About 103 room nights were booked during Canal Convergence by people associated with the event. Surveys indicated that 52% of attendees were from outside Arizona. Some people indicated that they were in town for a meeting and decided to come early to see the event.

Ms. Isaac explained that it takes anywhere from one year to 18 months to plan installations due to the technicalities associated with the waterfront. Over 500 people participated in artist-led workshops. Conversations with the artists were offered for the first time this year to help deepen the experience, and those sessions proved very popular. The Saturday night twilight dance performance drew over 700 people to Soleri Plaza. Music performances featured a blend of local bands and dance performances. A bike lights night ride through the neighborhoods of Scottsdale allowed over 60 participants to tour public art. Eight poets were chosen to create poems for each of the public art installations.

Ms. Isaac said the newest partnership is with Singapore's I Light Marina Bay. This year there was an artist exchange, and next year the plan is to do a co-commission. Lee Yun Qin's *Moonflower* is now part of Scottsdale's collection. In return, Yelena Filipchuk and Serge Beaulieu's HYBYCOZO will be on display at the Singapore light festival.

Commissioner Hill said nothing of this scale comes about without a tremendous amount of work. She inquired about the possibility of making the event longer. Ms. Isaac said that is certainly a possibility. This was a critical year for attendance, and with the numbers that were reached, the possibilities for expansion have increased. It could either be extended to additional weekends, or possibly a shoulder season event.

Vice Chairperson Hirose agreed that one weekend is not enough. The media writer and PR firm guests he brought were in awe. It could fill several weeks to a month, especially if it was held in November. This is a great event that the TDC could stand behind if it were long enough to justify the work and expense that goes into it. He felt Scottsdale should look into purchasing some of the pieces for permanent installations. He suggested that featuring artists from key feeder markets would draw more visitors from those areas. Ms. Isaac said Scottsdale now owns *Los Trompos* and *Moonflower*. The challenge is that since many of the installations are meant to be temporary, the materials used are not designed to last. Many people expressed an interest in buying the IMPULSE seesaws.

Chairperson Scholefield noted that French Thompson of the Scottsdale Gallery Association described Canal Convergence as a wonderful event that does not conflict with any of the retail businesses around it. It is a good example of the type of event the SGA would like to see more of in downtown. Ms. Isaac said she plans to return in April with an event funding proposal for the TDC.

10. Event Funding Program Recommendations

The TDC considered three requests for funds that were reviewed by the Event Working Group.

a. The Mane Event

Chairperson Scholefield noted that the Event Working Group recommended a \$25,000 venue reimbursement fee, plus a 10% seasonal adjustment.

COMMISSIONER DILLENBECK MOVED TO SUPPORT THE MANE EVENT FUNDING REQUEST IN THE AMOUNT OF \$27,500. COMMISSIONER HILL SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

b. Art for Aunt Rita's

Chairperson Scholefield noted that the Event Working Group recommended to not fund this event by a three to two vote. Vice Chairperson Hirose explained that the working group's opinion was split primarily over the fundraising aspect of the event. He said he personally voted to support it because is open to the public, it has a partnership with the SGA, and is described as a mini Art Walk. Tourists who are downtown at the time can easily participate in it. Food, entertainment and health screenings will be offered to the public.

Commissioner Dillenbeck added that the discussion over this was a long one. The concern was that once the TDC says yes to one fundraiser, the expectation will be to fund them all, and the money is not available for that.

VICE CHAIRPERSON HIROSE MOVED TO SUPPORT ART FOR AUNT RITA'S IN THE AMOUNT OF \$3,000. COMMISSIONER ASHMORE SECONDED. THE MOTION FAILED BY A VOTE OF TWO (2) TO FOUR (4). COMMISSIONER GRUPP WAS ABSENT.

c. Foster Family Fun Day

Mr. Geiogamah reported that the Event Working Group decided that there was limited opportunity to draw a broad audience to this event. The requested amount would cover the full event budget.

COMMISSIONER DILLENBECK MOVED TO NOT FUND THE FOSTER FAMILY FUN DAY. COMMISSIONER HILL SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

11. Manager Reports

a. Staff Bed-Tax Collection Report

Mr. Geiogamah reported that bed tax collections for the month of December were up 3% year to date. They continue to trend upward at 13%. Miscellaneous retail and restaurants were also up. The Arizona Department of Revenue's changes to the collection method affected the numbers for January, which are indicating down 39%. Staff is continuing to work through this issue.

Chairperson Scholefield inquired whether this would self-correct in a few months. Teresa Hougland explained that the State of Arizona has taken over the administration, collection, and licensing of sales tax for the entire state. Previously collections happened on a daily basis, now they occur on a weekly basis, and there is a delay in when funds come in. The January lag did resolve itself, but it took three weeks to get the full revenue. Because of the timing differences, this is expected to be the new normal. Getting detailed information will be challenging in the beginning, but should improve over time.

Chairperson Scholefield requested that City Council be made aware of this issue so they do not draw the wrong conclusions about the data. Mr. Geiogamah said he does not anticipate that this will have an impact on funding Experience Scottsdale. Until this issue is resolved, occupancy and revpar will be the most accurate short-term data available.

b. Staff Bed-Tax Hotel Classification Report

Mr. Geiogamah said resorts were up almost 15%, full service hotels were up 9.9%, and limited properties were 3.1% through December. All indications are continuing to trend upward.

c. Bed Tax Proforma

Mr. Geiogamah highlighted the changes in this month's proforma. The event funding programs now reflect the actual amounts expended for fiscal year to date. The allocation of \$412,000 related to the Thunderbird memorial is now shown. Chairperson Scholefield inquired about the substantial drop in revenue from event notification banners. Mr. Geiogamah said it could be indicative of a number of factors, but staff would look into it and report back. The criteria and standards have remained the same.

Chairperson Scholefield inquired why the International Visitor Committee was listed for a third year when the agreement was for two years. Mr. Geiogamah explained that the first year was just an allocation made administratively. The agreement actually covered FY 2015/16 and FY 2016/17. City Council is considering a third year, which would be paid out of the General Fund.

Chairperson Scholefield inquired about the presentation to the City Council regarding an additional staff member. Ms. Churchard said this will be done as part of the budget presentation.

Mr. Geiogamah requested Commissioner input on the projected 5% increase in bed tax revenue for FY 2017/18. Commissioner Ashmore felt the estimate was an aggressive one, based on what he has observed. Leisure demand is trailing behind what was expected, and group activity seems to have slowed as well. He proposed that the estimated growth should be cut in half. Vice Chairperson Hirose said his indications show that growth would be closer to 3% to 3.5%. Commissioner McCreary said he felt more comfortable in the 1% to 2% range. Chairperson Scholefield concurred that cutting the estimate in half would be more realistic, as the weather has impacted transient business dramatically.

d. Smith Travel Report

Mr. Geiogamah reported that over the past 12 months occupancy is up 1.2%. The average daily rate is up 3.4%, and revpar continues to up 4.6% for the market area, which includes Paradise Valley and the Salt River Pima-Maricopa Indian Community.

e. Program Updates

1. Tourism Research Program Update

Mr. Geiogamah said information related to this program was provided in Commission packets.

2. Special Event Report

Ms. Churchard presented information related to special event applications since the Special Events Ordinance went into effect on July 1, 2016. Overall there has been a decrease in the number of approved applications for a number of reasons. Applications are no longer required for indoor events, and there are now lower limits on the number of times events can be held in a quarter. Application denials were issued whenever events failed to meet the required criteria. Most denials occurred in the entertainment district. The support of nearby establishments was taken into consideration, as were public safety-related issues. Some events applied when they did not need to.

Ms. Churchard reported that event fees are higher now in some regards. Through December of 2016, \$32,677 was collected, compared to about \$26,000 year to year. City Council requested a report after one year. Chairperson Scholefield felt the TDC should make a recommendation at that time as well.

3. Downtown Tax Revenue Report

Brent Stockwell presented information on downtown sales trends. This will be the last complete year of information that will be available under City sales. The City Treasurer will work with the ADOR to get as robust information as possible moving forward. After four straight years of increases, there have been two consecutive years of 1% declines in taxable sales for miscellaneous retail and restaurants combined in the downtown specialty districts. Three of the districts have increased, while two districts have declined. In the last six months alone, however, the specialty districts are up 9% from

the same period last year. District composition changes and vacancies also affect collections.

Mr. Stockwell reported that miscellaneous retail sales just in the downtown specialty districts are down 8%, but citywide it is up 6%. On the other hand, restaurants in the specialty districts are up 6%, compared to 2% citywide. Mr. Stockwell displayed a series of slides illustrating the information.

Chairperson Scholefield asked whether steps would be taken to understand the reasons behind the changing makeup of the retail business and the vacancies in the districts. Mr. Stockwell responded that staff will be working with the City Treasurer's Office to see what kind of information will be available to analyze over time. It might be time to consider investing in real-time data from credit card companies to learn more about the trends as they happen without the lag.

Commissioner Hill said the look and style of Main Street has declined over the years, and speculated that that could be a contributing factor. Mr. Stockwell said staff is looking into traffic and pedestrian counts in that area. The Holly Street connectivity project and Downtown Scottsdale 2.0 are definitely studying how the look and feel of those areas impacts walkability and desirability.

Commissioner Ashmore said it would be interesting to see if there are any correlations between the occupancy trends at core hotels in the districts, and revenue streams.

12. Public Comment

Sharon Cini, Diversity & Inclusion Program Manager, said Art for Aunt Rita's came to the Human Relations Commission last year asking to be a community diversity partner. Organizations are chosen for the list to help promote diversity within Scottsdale. The Human Rights Campaign scores cities on its Municipalities Equality Index Scorecard, including LGBT issues. She requested that the TDC approve the request for \$3,000 for Art for Aunt Rita's event on April 22.

Chairperson Scholefield asked whether the Diversity Department is supporting the event. Ms. Cini said it is providing \$1,500.

Glen Spencer, Aunt Rita's Foundation, is focused on increasing awareness of HIV prevention and testing. He said Art for Aunt Rita's is a fundraising event for the foundation. This event is important for Scottsdale residents and the broader Arizona community. The foundation is a non-profit organization that is dedicated to raising money on behalf of sixteen non-profit agencies in Maricopa County that are delivering critical HIV services. Many people think HIV is a resolved issue, which is not the case at all. New infections have increased 39% since 2011. The tools are now available to entirely prevent and treat HIV, but that is not being done because of the stigma that continues around this disease. The event is partnering with the Scottsdale Gallery Association. This is an occasion to celebrate Scottsdale's arts culture while doing something good for the community in the process by helping to raise awareness of an important issue.

Commissioner Ashmore inquired about expected attendance. Mr. Spencer responded that last year's event was very small, but this year an effort has been made to grow it to the range of 500 to 1,000 people.

Betty Janik, Protect Our Preserve, said tourism is an important part of a robust economy in Scottsdale. POP is not against the Desert Discovery Center, but has strong objections to its location at the Gateway entrance. This is the most popular entrance and is very crowded. She asked the Task Force to consider alternative locations. A DDC located outside the Preserve would have several advantages. There would be no restrictions on who could manage the center, and taxpayers would be relieved of any responsibility for operating cost overruns. There would be no restrictions on concessions, night operations, amplified sound or consumption of alcohol, all of which are forbidden by Ordinance 3321. There would be no limit on size or expansion as necessary. It would not conflict or compete with the educational activities that are conducted by the Conservancy.

A preferable site is the City-owned land at 94th Street and Bell Road. It is 80 acres in size, has unobstructed views of the Preserve, and is in a central location, while still being within walking distance of both the Preserve and WestWorld. More tourists would be exposed to the DDC at that location. It is close to the Loop 101 and a commercial area. The DDC concessions would be more viable there. There is significant and growing opposition to the DDC. She asked the TDC to consider allowing citizens to vote on this issue.

13. Identification of Future Agenda Items

Mr. Geiogamah said the next meeting is scheduled for April 18, 2017. The agenda will include the event funding programs, a conversation related to the budget, the Experience Scottsdale Destination Marketing Guide, Canal Convergence, Downtown Scottsdale 2.0, and the capital project evaluation. The May meeting will be held at Taliesin West on the 16th.

Vice Chairperson Hirose requested an agenda item to discuss whether the TDC should support the International Visitor Committee or not, even if the funding is not expected to come out of the Bed Tax Fund. They have been given \$150,000 bed tax dollars, but are holding events outside of Scottsdale, visits have not been generating room nights, and they have not communicated with the TDC in two years.

Adjournment

The meeting adjourned at 9:51 a.m.

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